



## CITY COUNCIL MEETING STAFF REPORT

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| <b>Meeting Date:</b> October 20, 2025                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                            | <b>Subject:</b> Housing Statutory Compliance                                                                                                                          |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                            | <b>Staff Members:</b> Kimberly Rybold, AICP, Senior Planner                                                                                                           |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                            | <b>Department:</b> Community Development                                                                                                                              |  |
| <b>Action Required</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                            | <b>Advisory Board/Commission Recommendation</b>                                                                                                                       |  |
| <input type="checkbox"/> Motion<br><input type="checkbox"/> Public Hearing Date:<br><input type="checkbox"/> Ordinance 1 <sup>st</sup> Reading Date:<br><input type="checkbox"/> Ordinance 2 <sup>nd</sup> Reading Date:<br><input type="checkbox"/> Resolution<br><input checked="" type="checkbox"/> Information or Direction<br><input type="checkbox"/> Information Only<br><input type="checkbox"/> Council Direction<br><input type="checkbox"/> Consent Agenda |                                                                                            | <input type="checkbox"/> Approval<br><input type="checkbox"/> Denial<br><input type="checkbox"/> None Forwarded<br><input checked="" type="checkbox"/> Not Applicable |  |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                            | <b>Comments:</b> N/A                                                                                                                                                  |  |
| <b>Staff Recommendation:</b> N/A                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                            |                                                                                                                                                                       |  |
| <b>Recommended Language for Motion:</b> N/A                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                            |                                                                                                                                                                       |  |
| <b>Project / Issue Relates To:</b>                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                                            |                                                                                                                                                                       |  |
| <input type="checkbox"/> Council Goals/Priorities:                                                                                                                                                                                                                                                                                                                                                                                                                    | <input checked="" type="checkbox"/> Adopted Master Plan(s):<br>Housing Production Strategy | <input type="checkbox"/> Not Applicable                                                                                                                               |  |

### ISSUE BEFORE COUNCIL:

Staff will introduce the Housing Statutory Compliance project and seek City Council input on the information needed to provide direction on implementation options.

## **EXECUTIVE SUMMARY:**

In June 2025, City Council adopted the Housing Production Strategy (HPS), a document required for the City's continued compliance with Statewide Planning Goal 10 (Housing). The HPS includes seven actions the city will pursue over the next six years to help address Wilsonville's unmet housing needs. Among these is Action C, Evaluate Use of Administrative Review Processes for Residential Development, which would update the City's land use review process for residential development to process most land use applications administratively via the Class II review process (Attachment 1). The HPS commits the City to undertake this action by the end of 2029.

In an effort to promote the development of a variety of housing types throughout the state, the Oregon Legislature passed two bills in the 2025 Session affecting Wilsonville's Development Code standards and review process for residential development. Senate Bill (SB) 974 requires cities and counties to issue decisions without a public hearing on certain residential development applications, including Wilsonville's most common residential land use applications. This statutory requirement overlaps with HPS Action C. SB 974 also contains provisions that do not directly impact the City's Development Code, including temporary limitations on application of design standards for certain residential land use applications and new review procedures for some public works permits. Planning staff will coordinate with the Engineering Division and Legal Department to determine compliance approaches for these statutory requirements.

Additionally, the Oregon Legislature passed House Bill (HB) 2138, requiring cities to update land use regulations related to middle housing allowances and related standards. As there is significant overlap between these statutory requirements and HPS Action C, the City will undertake these Development Code amendments under a single effort, the Housing Statutory Compliance Project. The project is divided into two parts based on timing related to statutory deadlines:

- **Part 1:** This part of the project will address process related components of SB 974. These requirements become operative on July 1, 2026, requiring hearings ready Development Code amendments by early spring 2026. The project will integrate HPS Action C, which calls for the City to implement an administrative review process for residential development.
- **Part 2:** This part of the project will focus on modifications to the City's middle housing definitions, middle housing land division process, and other related Development Code amendments consistent with HB 2138. Some requirements of this bill are already in effect, with others becoming operative on January 1, 2027.

This work session will focus on Part 1 of the Housing Statutory Compliance project. Staff will provide City Council with background information on the City's current land use review process for new residential development and highlight upcoming work that will guide the City's decisions about land use review process updates.

### ***Current Land Use Review Process***

Development permit applications in Wilsonville generally fall under one of three review processes:

- **Class I Administrative Review** – Applications are processed as ministerial decisions made by the Planning Director without public hearing or public notice and are not subject to appeal or call-up. These decisions do not involve discretion on the part of the Planning Director and include applications that verify compliance with prior development approvals.
- **Class II Administrative Review** – Applications are processed as administrative decisions by the Planning Director, with public notice, subject to appeal or call-up by the Development Review Board (DRB). These decisions may involve limited discretion on the part of the Planning Director but generally involve application of clear and objective development standards. This process is used for minor modifications to previously approved development plans.
- **Class III Quasi-Judicial Review** – Applications are processed as quasi-judicial decisions by the DRB, with public notice and a public hearing, subject to appeal or call-up by City Council. This is the City's current land use review process for applications associated with new development, including residential land use applications. State law requires the use of clear and objective standards for residential development; however, applicants may choose to request discretionary waivers to certain development standards subject to DRB review and approval. Final decisions on applications for annexation, Comprehensive Plan Map amendments, or Zone Map amendments are made by City Council.

While most land use applications for new development are reviewed and approved by the DRB as described above, the City has precedent for establishing an administrative review process for land use applications meeting clear and objective standards in the Coffee Creek Industrial Design Overlay District. Adopted in 2018, this process allows the City to review most development applications associated with development through the Class II administrative review process, with review and approval for annexation and zone map amendment applications heard by City Council without prior DRB review. This process was adopted with the intention of providing a faster, more predictable review process for applications meeting clear and objective standards while still allowing an opportunity for public input. The City could implement HPS Action C in a similar manner, provided that the requirements contained within SB 974 are met.

To understand the potential impact of shifting from DRB review of residential land use applications to a Class II process, staff evaluated the 67 DRB applications received from 2020 to present, excluding withdrawn applications. Of these, 16 applications (approximately 24 percent) were for new residential development projects, with all but two including an action requiring City Council approval. Just as the overall volume of development applications varies from year to year based on market factors, the percentage of residential applications varied from a low of 12.5 percent to a high of 37.5 percent of DRB applications in a single year. While this yearly variation will continue based upon development readiness of areas such as Frog Pond East and South,

processing of residential land use applications via a Class II process would reduce the overall volume of applications reviewed by the DRB.

### ***Next Steps***

3J Consulting will lead the project team in preparing a Code Assessment Memo to help the City determine how to best implement HPS Action C while meeting the requirements of SB 974. This memo will identify statutorily required amendments to the Development Code resulting from SB 974, and where additional amendments would best implement HPS Action C while maintaining a clear and transparent land use review process. As there are still questions about the extent and applicability of SB 974, this work will be informed by a forthcoming guidance document published by the Oregon Housing Accountability and Production Office (HAPO) along with input from the City's Legal Department. The memo, which will be presented to Planning Commission and City Council in December, will serve as a guide for the City's policy choices prior to drafting Development Code amendments in early 2026.

### ***Discussion Questions***

- Acknowledging that some process modifications are required by SB 974, what type of community input will best assist you in making policy decisions about updates to the residential land use review process?
- Based on the anticipated reduction in land use applications that would be reviewed by the DRB, are there any modifications to the current board structure that you want the project team to consider?
- Are there other questions or information that the project team should consider in preparation of the Code Assessment Memo?

### **EXPECTED RESULTS:**

Council input on project outreach and information to include in the project's Code Assessment Memo.

### **TIMELINE:**

HAPO expects to publish advisory guidance on SB 974 in mid-October. The project team will present this information, along with the Code Assessment Memo, to Planning Commission and City Council at work sessions in December. Completion of Part 1 of the Housing Statutory Compliance Project must occur by July 1, 2026, with a Planning Commission public hearing on the Development Code amendments scheduled in April 2026.

### **CURRENT YEAR BUDGET IMPACTS:**

Planning's Professional Services budget will cover project expenditures occurring prior to execution of a grant agreement with DLCD. The majority of the project costs will be covered by a DLCD grant throughout fiscal year (FY) 2025-26 and FY 2026-27.

**COMMUNITY INVOLVEMENT PROCESS:**

Public work sessions will be held by the Planning Commission and City Council in addition to public hearings. Public outreach is planned for early 2026 to inform the community and gather feedback on the Development Code amendments.

**POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:**

Implementation of HPS Action C will enable the City to develop a clear and predictable development review process for residential development that continues to allow for and respond to public input while avoiding the confusion of City Code that is superseded by conflicting state statute.

**ALTERNATIVES:**

Failure to complete the mandated updates by the statutorily required deadlines will expose the City to legal risk if affected residential land use applications are not processed consistent with state law.

**CITY MANAGER COMMENT:**

N/A

**ATTACHMENT:**

1. Housing Production Strategy Excerpt – Action C